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In the Matter of Federal-State Joint Board on Universal Service	)))))	CC Docket No. 96-45

STATE MEMBERS' REPORT ON LOW-INCOME SERVICES

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Report of the State Joint Board Members on Low-Income Issues

I. Introduction

Congress delegated to the federal-state Joint Board (Joint Board) and the Federal Communications Commission (FCC) the responsibility of developing policies and principles regarding universal service. In so doing, Congress specifically recognized the importance of addressing issues affecting low income consumers.[1] Accordingly, an important benchmark of the success will be the degree to which the policies facilitate full and nondiscriminatory access to the public switched network by low income consumers.

The primary purpose of this Report of the state Joint Board members is to outline preliminary objectives for monitoring the success of the recommendations pertaining to low income consumers.[2] To achieve these objectives, it will essential to have continued collaboration between the states and the FCC.

II. Joint Board's Low-Income Recommendations

In its Recommended Decision issued November 8, 1996, the Joint Board urged the FCC to adopt a number of proposals directly targeted to low income consumers. The primary low-income recommendations include:

- Establishing a $5.25 federal Lifeline contribution, while eliminating the state matching requirement.

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[1] The focus on low-income issues is, in part, due to language in the Telecommunications Act of 1996 directing the Joint Board and FCC to base universal service policies on a series of principles, including the principle that consumers in all regions "including low income consumers" should have access to telecommunications services. 47 U.S.C. § 254(b)(3).

[2] In its Recommended Decision, the Joint Board noted that the state members would submit a report to the FCC on Lifeline issues before the FCC acted on the recommendations.

- Providing federal matching of state Lifeline contributions on a 1:2 basis, up to a total of $7.00 in federal support.
- Permitting eligible low-income consumers to subscribe voluntarily to toll blocking and toll limitation services at no charge.
- Prohibiting deposits for Lifeline consumers who elect toll blocking.
- Prohibiting the disconnection of local service for non-payment of toll charges for Lifeline subscribers.

In making these varied recommendations, the Joint Board recognized that there was not one "correct" approach to low income issues. Instead, the Joint Board found that a multidimensional approach, focusing on both rate and non-rate factors, would allow for a more comprehensive treatment of these issues. While the state members are optimistic that this combination of recommendations will have a positive effect on increasing subscribership among low income consumers and will keep rates just, reasonable and affordable, it will be important to have adequate oversight to ensure that the policies are achieving their intended purposes.

III. Monitoring

In developing its Recommended Decision, the state Joint Board members sought to accomplish a number of general policy goals, including:

- Making services available to low income consumers in all regions of the nation;
- Providing appropriate incentives for states to maintain Lifeline contributions;
- Ensuring a realistic minimum federal contribution;
- Improving subscribership levels among low income consumers;
- Ensuring the availability of "affordable" rates as mandated by the 1996 Act; and
- Maintaining a reasonably sized universal service fund.

The state members submit that comprehensive monitoring is essential to determine whether the policies ultimately adopted are effective in achieving the policy goals. Due to the numerous variables that affect subscribership levels for low income consumers, it is difficult to predict the precise impact that the program revisions will have on low income subscribership. Therefore, the state members suggest that the following questions, as a starting point, should be used in evaluating the success of the programs on an ongoing basis:

- How do the changes affect state penetration rates?
- How do the changes affect low-income penetration rates?
- What are the principal causes for any improvement in penetration?
- Have the Lifeline changes affected a state's participation in the program or the amount of its state contribution?
- Have the changes increased the number of Lifeline participants?
- Have states changed Lifeline eligibility requirements?
- How have the changes affected the size of the federal Lifeline fund?

The state members are committed to the effective implementation of universal service policies that address the needs of low income consumers. If the changes proposed in the Recommended Decision are adopted and ultimately prove unsuccessful (or less successful than expected), careful monitoring would allow for further modifications to be proposed.

IV. Continuing Joint Board Role

Given that many of the modifications to low income programs recommended by the Joint Board pertain to intrastate services, the states will inevitably be directly involved with the implementation of the program changes. For example, policies impacting toll limitation services, security deposits or disconnection of local service for nonpayment of toll are all matters usually addressed by the states. Therefore, it is essential that the FCC and the states continue to collaborate on developing and monitoring policies affecting low income consumers. An equitable partnership among state and federal regulators as well as consumer advocates will facilitate the development of appropriate universal service policies.

V. Conclusion

The universal service policies proposed by the Joint Board should positively affect low income consumers in all regions of the nation. Nevertheless, the state members strongly urge continued cooperation among states and the FCC to monitor the actual impact of the changes and to suggest modifications, if necessary.